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SUBJECT: NZ'S ELECTION UNDER THE CONTROVERSIAL MMP  
SYSTEM

WELLINGTON 00000370 001.2 OF 004

¶1. (SBU) Summary. On November 8, New Zealand goes to the polls under the Mixed Member Proportional (MMP) parliamentary system. Though initially popular when introduced in 1996, the country is now divided over MMP's merits. If National forms the next government, it has promised to review MMP. Labour and the smaller parties, all of which have benefited from MMP, have expressed little desire to review the system. In order to form a government, both Labour and National are unlikely to get a popular majority of Parliamentary seats and therefore will need the support of one or more smaller parties, a situation which can give a minor party a disproportionate voice in government policy. As with past MMP elections, the minor party that holds the balance of power will be able to influence the policy agenda of the next government. We summarize here the sometimes perplexing MMP system, the controversy it has generated, and how it may determine New Zealand's next government. End Summary.

#### NZ's Proportional Representation System

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¶2. (U) Since 1996, New Zealand has operated under the "Mixed Member Proportional" (MMP) system. Prior to 1996, New Zealand's voting system was the simple plurality, winner-takes-all voting system. In 1993, the then-National Government, bending to a growing public desire to move away from the plurality voting system, held a binding referendum in conjunction with the general election that year on whether to change the 1993 Electoral Act in order to establish a MMP system. The pro-MMP vote won by a comfortable margin, 54 percent to 46 percent.

¶3. (U) Under MMP, each voter casts two votes, one for a local electorate MP (a constituency seat), and one for a political party. Prior to the election, each party submits a rank-order listing of its proportional candidates. Each registered party's total number of party votes decides its share of seats in Parliament. A person can be a "dual candidate" by standing for an electorate seat as well as being on the party list. A dual candidate who wins an electorate seat has his or her name deleted from the party list, and replaced by a lower ranked name.

¶4. (U) In order to gain a share of Parliament seats, a party must first qualify either by winning at least five percent of all the party votes cast, or by winning

at least one electorate (constituency) seat. Each qualified party is allocated enough party vote (list) seats to add to any electorate seats it has won so that its total number of seats is close to its share of all the eligible party votes cast. Parties fill their list seats by drawing off the allocated number of candidates in the order in which they appear on the party's list, and voters cannot change that order. The MPs chosen in this way are called list MPs.

#### Overhang: Parliament Size Can Vary Under MMP

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15. (SBU) Fundamentally, each party holds seats in the new Parliament in proportion to its party vote, not the number of electorates it wins. If a party, usually a minor party, wins more local electoral seats than its percentage of the proportional vote, this makes it impossible for another party, usually a large party such as Labour or National, to hold the number of seats it should according to proportional principles within the original 120-seat Parliament. The solution is overhang. The Electoral Commission determines how many seats need to be added to 120 so that each party has no fewer seats than its proportional vote. These extra seats are the overhang.

16. (SBU) The overhang is a contentious issue because the greater the overhang, the higher the majority needed for a party to form a Government. Under the MMP system, the New Zealand Parliament conventionally has 120 seats. The current Parliament has 121 MPs - the one extra MP being earned by the Maori Party 2005 election when it won more electorate seats than the party vote gave them, i.e., its party vote gave it

WELLINGTON 00000370 002.2 OF 004

three seats but the party actually won four electorate (constituency) seats.

#### Coalition and Minority Governments the Norm

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17. (U) Since the MMP system was introduced in 1996, there has never been a majority government (where one party holds the majority of seats in Parliament thereby allowing it to govern alone without a coalition with other parties). Since 1996, New Zealand has only ever had coalition governments (where one of the two major parties makes an informal agreement with one or more parties). The current Labour-led governing arrangement is a coalition government formed with New Zealand First, United Future and the Progressive Party.

#### Governments Formed in Post-Election Period

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18. (U) In order to form a Government under MMP, one party or bloc of parties must command a majority of the votes in the House of Representatives. When a majority is secured, a government is formed and the leader of the biggest party becomes Prime Minister (although formally the Prime Minister is selected by the Governor General). In past MMP elections, the post-election periods have been a contest between the two major parties, Labour and National, to be the first to secure enough minor party support to form a governing majority.

19. (SBU) The post-election negotiating period does not normally last more than couple of weeks. This period can, however, take longer as it did in 1996 when Winston Peters' New Zealand First Party took eight weeks to decide whether to support National or Labour (Peters eventually chose National after it promised to make him Treasurer. Labour refused to promise him this

position).

#### Caretaker Government Until New One Formed

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¶10. (SBU) During the negotiations to form a government, the current government remains in office, but limits its actions pursuant to the common convention of a caretaker government. It is expected that the new government should be formed before January 8, 2009, the last possible date for Parliament to sit following the 2008 election. Though unlikely, it is possible that a caretaker government could continue beyond this point until new government is formed. More informally, there is strong pressure for parties to complete formation of a government before summer vacation begins in mid-December.

#### Referendum on MMP Overdue

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¶11. (SBU) When the 1993 Electoral Act to introduce MMP was drafted, a clause was inserted to allow for a review of the system after two MMP elections and to determine whether there should be a another referendum on electoral reform. However, the country still awaits a review as the parliamentary committee established in 2000 to examine MMP could not reach a decision on whether another referendum was needed.

#### Country Divided Over MMP

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¶12. (SBU) On August 3, National Party leader John Key promised that a government led by his party would hold a binding referendum on MMP no later than 2011 followed, if necessary, by a second referendum to establish what system should replace it. However, many minor parties rely on MMP for their place in Parliament and a future National government could struggle to win sufficient support for a referendum. Prime Minister Clark has been unenthusiastic about any change in the current MMP system, as it favors the Labour Party, which is the natural ally of the largest minor party, the Greens. In a recent newspaper opinion piece, former New Zealand Prime Minister Mike Moore (Labour)

WELLINGTON 00000370 003.2 OF 004

criticized MMP as an "inherently unstable" electoral system which produces "squalid and sordid" post-election deals.

¶13. (SBU) The New Zealand public is divided over the merits of MMP. A Research New Zealand poll of August 2008 found forty-six percent favor a return to the old plurality voting system with forty-one percent in support of MMP. Many New Zealanders are not comfortable with the hidden deals with minor parties that characterize MMP governments. There is some public anxiety that small parties are able to wield a disproportionate amount of, sometimes radical, influence on policy agendas.

#### Post-Election MMP Opposition Could Surge

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¶14. (SBU) Since 1996, the party with the most party votes has led the government and there is public consensus (and tacit understanding among the political parties) that this is a fair reflection of the will of the people. However, if Labour in 2008 is able to form a government despite losing to National on the party vote, then many New Zealanders may see this as contrary to the will of the country, and resentment towards MMP could rise. Key has asserted that the biggest party has the right to form the government but Labour has

disagreed, noting that governments should be formed by the community of interest within parliament. Minor parties have been coy on the issue, paying lip service to due regard to the party that leads in party votes.

#### How Labour Forms an MMP Coalition

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¶15. (SBU) Helen Clark is an astute and successful exponent of MMP. She has built and maintained durable coalition and minority governments with a range of smaller parties, some with vastly different political philosophies. Going into the 2008 election, Clark can rely on three parties - The Greens, NZ First and the Progressives - to offer support for a Labour-led government. Despite this ready-made coalition of support, Labour faces three challenges in forming the next government. Despite a narrowing gap, Labour is still polling significantly behind National. Labour's final party vote must exceed thirty-five percent to give them any hope of forming a viable coalition. In addition, the Greens vote must be close to ten percent. Finally, Winston Peters' NZ First must win an electorate seat or meet the five percent party vote threshold to return to parliament. However, recent polling suggests that it will be difficult for Labour or the Greens to reach their watershed 35 and 10 percent, respectively. It will be almost impossible for NZ First to secure the five percent needed to return to parliament.

#### How National Forms an MMP Coalition

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¶16. (SBU) Going into the 2008 election, National is ahead of Labour in the polls and is well positioned to secure the most party votes. Nonetheless, National is unlikely to reach fifty percent and will therefore have to rely on support from the smaller parties. Thus far, only two minor parties - the centrist United Future and the right-wing ACT Party - have signaled their intent to support a National-led Government. If National polls in the high forties, then the support of United Future and ACT, likely to get a maximum four seats between them, may be enough for National to form the next government. If National gets less than 47 percent, as some analysts predict, then the only other real option open to National to form the next government is to persuade the Maori Party to support it. (Note: The Greens and Progressives have already signaled that they will not support a National-led Government, and Key has ruled out working with Winston Peters' NZ First Party, even if it does return to Parliament).

#### Maori Party Likely Kingmaker

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WELLINGTON 00000370 004.2 OF 004

¶17. (SBU) In most MMP elections, there is usually a smaller party playing the role as kingmaker. Its decision to support one of the two main parties will essentially decide the next government. In 2008, the kingmaker role is very likely to be filled by the Maori Party, which is expected to return to parliament with five, possibly seven seats. The Maori Party has been careful not to signal which party it will support, and both Labour and National have courted it ahead of November 8.

#### The Second Campaign

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¶18. (SBU) Unless one party gets fifty percent of the votes, which is unlikely at the 2008 election, the next

government may not be known until well after November 8 as Labour and National engage in a second campaign: a post-election negotiation period with the smaller parties. The Maori Party has stated that it will conduct a week-long series of consultation with its supporters around the country to seek guidance as to whom to support. Recent Maori polling suggests that as much as 70 percent of Maori voters prefer Labour as a partner in government -- a significant challenge for National. The Maori Party could extract significant concessions from the major parties in the post election period.

Comment: The Decisive Election for MMP

¶19. (SBU) the more critical the role of a coalition in forming New Zealand's next government, the more pressure will grow to reconsider MMP. Two scenarios could prove particularly contentious: first, if Labour wins fewer seats but forms the government by winning more minor party support; second, if Maori wins concessions from National seems contrary to National's platform. Either scenario could increase calls for an MMP referendum as New Zealanders grow wary of the excessive influence minor parties have wielded over government policy under MMP. End Comment.  
McCormick